
FISCAL UPDATE Article

Fiscal Services Division

October 15, 2019



Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

REVISED GENERAL FUND BUDGET AND FY 2021 PROJECTION

Revised Revenue Estimates. The Revenue Estimating Conference (REC) met on October 14, 2019, and revised the General Fund revenue estimates for FY 2020 and FY 2021. The REC agreed to a FY 2020 estimate of \$7.966 billion, an increase of \$107.2 million (1.4%) compared to actual FY 2019. The FY 2021 estimate reflects an increase of \$215.7 million (2.7%) compared to the FY 2020 estimate.

Compared to the March 2019 estimates (adjusted for post-REC law changes), the FY 2020 and FY 2021 estimates were revised upward by \$127.0 million (1.6%) and \$131.8 million (1.6%), respectively.

FY 2019 and FY 2020 Budget Update. Figure 1 compares the General Fund budget estimates for FY 2019 and FY 2020 at the close of the 2019 Legislative Session to the actual FY 2019 numbers and the FY 2020 budget that includes the revised REC estimate.

The FY 2019 General Fund budget ended the fiscal year with a \$289.3 million balance, which was \$123.2 million more than the previous estimate of \$166.1 million. Net receipts ended the fiscal year at \$7.859 billion, which was \$125.5 million (1.6%) more than the estimate used at the close of the 2019 Legislative Session. Net appropriations ended the fiscal year \$2.3 million (0.03%) higher than estimated due to small changes in standing appropriation adjustments and reversions.

The increase in the FY 2019 General Fund surplus results in an estimated \$187.6 million¹ being carried forward into FY 2020, increasing the total estimated funds available to \$8.154 billion. This is an increase of \$237.9 million (2.9%) compared to the total funds available for FY 2020 estimated at the close of the 2019 Legislative Session.

During the 2019 Legislative Session, appropriations totaling \$7.644 billion were enacted for FY 2020. For estimating purposes, two adjustments were made to the FY 2020 appropriations. These include:

- A reduction of \$5.6 million to the estimated State School Aid appropriation due to an increase in property valuations that are part of the school aid formula and changes in the estimate associated with the concurrent enrollment provisions enacted in the 2019 Legislative Session.²
- An increase of \$106.6 million for a Medicaid supplemental appropriation that the Department of Human Services is requesting to cover increased costs of the program not covered by the General Fund appropriation.

The revised FY 2020 surplus is estimated at \$414.0 million, which is \$136.9 million more than previously estimated.

¹ The FY 2020 surplus carryforward of \$187.6 million represents the excess funds from the FY 2019 General Fund surplus of \$289.3 million after the Cash Reserve Fund, Economic Emergency Fund, and Taxpayer Relief Fund requirements were met.

² 2019 Iowa Acts, ch. 164.

Figure 1

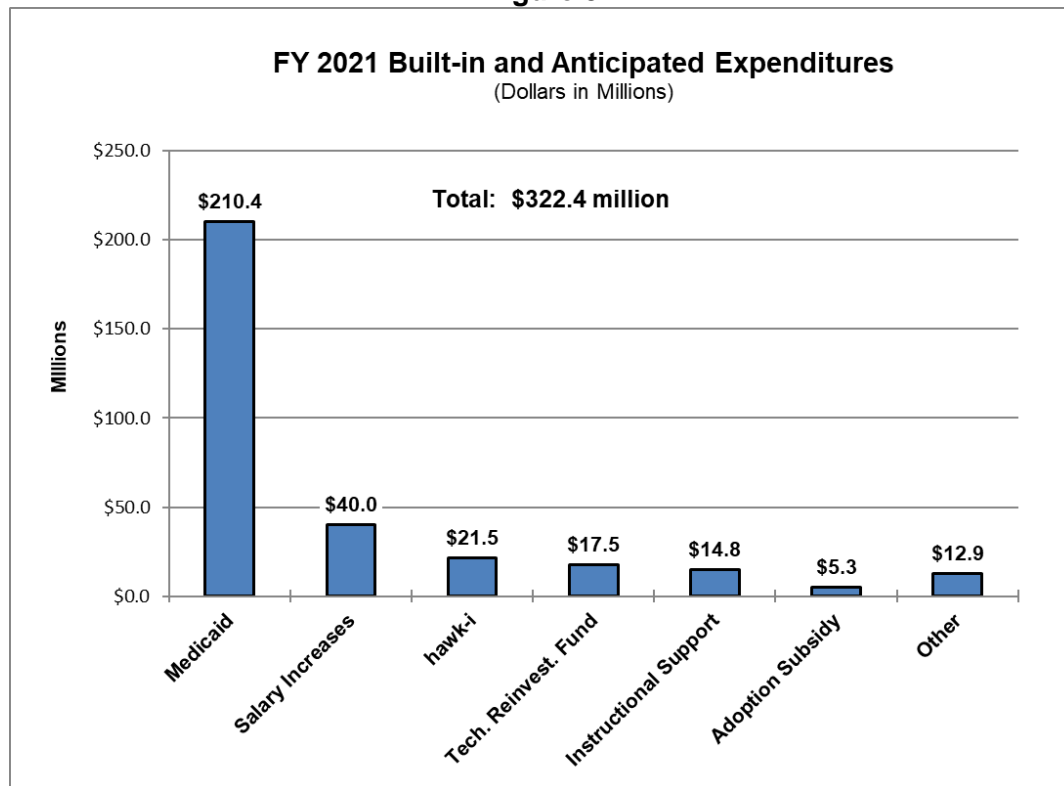
General Fund Budget						
FY 2019 and FY 2020 Point-in-Time Comparisons						
(Dollars in Millions)						
	FY 2019			FY 2020		
	End of Session	Actual	Change	End of Session	Oct 2019 Estimate	Change
Resources						
Net Receipts	\$ 7,733.4	\$ 7,858.9	\$ 125.5	\$ 7,839.1	\$ 7,966.1	\$ 127.0
Surplus Carryforward	71.0	71.0	0.0	76.7	187.6	110.9
Total Available Resources	\$ 7,804.4	\$ 7,929.9	\$ 125.5	\$ 7,915.8	\$ 8,153.7	\$ 237.9
Appropriations and Expenditures						
Enacted Appropriations	\$ 7,480.2	\$ 7,480.2	\$ 0.0	\$ 7,643.7	\$ 7,643.7	\$ 0.0
Adjustments to Standing Appropriations	- 5.3	- 2.8	2.5	0.0	- 5.6	- 5.6
Net Supplemental/Deappropriations	168.6	168.6	0.0	0.0	106.6	106.6
Total Appropriations	\$ 7,643.5	\$ 7,646.0	\$ 2.5	\$ 7,643.7	\$ 7,744.7	\$ 101.0
Reversions	- 5.2	- 5.4	- 0.2	- 5.0	- 5.0	0.0
Net Appropriations	\$ 7,638.3	\$ 7,640.6	\$ 2.3	\$ 7,638.7	\$ 7,739.7	\$ 101.0
Ending Balance – Surplus	\$ 166.1	\$ 289.3	\$ 123.2	\$ 277.1	\$ 414.0	\$ 136.9

FY 2021 Budget Projection. The Legislative Services Agency (LSA) budget projection for FY 2021 shown in **Figure 2** provides a preliminary analysis of the condition of the General Fund budget for the next fiscal year. The estimates that comprise the FY 2021 projection are based on the following factors and assumptions:

- The FY 2021 REC revenue estimate of \$8.182 billion set on October 14, 2019. The REC estimate is based on tax laws and other revenue policies in place at the time the estimate is adopted. This estimate is included in the calculation of the FY 2021 expenditure limitation.
- A carryforward balance of \$237.8 million from the revised FY 2020 General Fund surplus after the estimated reserve fund and Taxpayer Relief Fund requirements are met.
- The expenditure limitation for FY 2021 is estimated to be \$8.338 billion.
- The enacted appropriations from FY 2020 (\$7.644 billion) are used as the baseline for FY 2021 appropriations.
- The LSA's estimated net built-in and anticipated expenditure changes for FY 2021 total \$322.4 million. **Figure 3** summarizes the FY 2021 built-in and anticipated expenditures. The estimate reflects the incremental increases above the baseline appropriation.
- Reversions are estimated to total \$5.0 million. Reversions are appropriated funds that remain unexpended at the close of the fiscal year and are deposited back in the General Fund.

Figure 2 shows the projected General Fund budget for FY 2021 based on the above assumptions. The projected appropriations that total \$7.966 billion are \$371.7 million below the estimated expenditure limitation. The FY 2021 General Fund surplus is projected to total \$458.5 million.

Figure 2 State of Iowa Projected Condition of the General Fund (Dollars in Millions)			
	Actual FY 2019	Estimated FY 2020	Projected FY 2021
Resources			
Net Receipts	\$ 7,858.9	\$ 7,966.1	\$ 8,181.8
Surplus Carryforward	71.0	187.6	237.8
Total Available Resources	\$ 7,929.9	\$ 8,153.7	\$ 8,419.6
Expenditure Limitation			\$ 8,337.8
Appropriations and Expenditures			
Appropriations	\$ 7,480.2	\$ 7,643.7	\$ 7,643.7
Adjustments to Standing Appropriations	- 2.8	- 5.6	0.0
Built-In and Anticipated Expenditures	0.0	0.0	322.4
Supplemental/Deappropriations	168.6	106.6	0.0
Total Appropriations	\$ 7,646.0	\$ 7,744.7	\$ 7,966.1
Reversions	- 5.4	- 5.0	- 5.0
Net Appropriations	\$ 7,640.6	\$ 7,739.7	\$ 7,961.1
Ending Balance – Surplus	\$ 289.3	\$ 414.0	\$ 458.5
Under (Over) Expenditure Limitation			\$ 371.7

Figure 3

Reserve Funds. The balances in the State's two reserve funds (**Figure 4**) are projected to be at the statutory maximum for both FY 2020 and FY 2021. For FY 2020, the combined balances are estimated at \$783.9 million and are projected to increase to \$818.1 million in FY 2021.

Figure 4

State of Iowa Reserve Funds			
(Dollars in Millions)			
	Actual FY 2019	Estimated FY 2020	Projected FY 2021
<u>Cash Reserve Fund</u>			
Funds Available			
Balance Brought Forward	\$ 442.4	\$ 571.6	\$ 587.9
General Fund Transfer from Surplus	127.3	289.3	414.0
Special General Fund Appropriation	113.1	0.0	0.0
Total Funds Available	\$ 682.8	\$ 860.9	\$ 1,001.9
Transfer to Economic Emergency Fund	- 111.2	- 273.0	- 388.3
Balance	\$ 571.6	\$ 587.9	\$ 613.6
<i>Maximum 7.5%</i>	\$ 571.6	\$ 587.9	\$ 613.6
<u>Economic Emergency Fund</u>			
Funds Available			
Balance Brought Forward	\$ 177.9	\$ 185.6	\$ 196.0
Excess from Cash Reserve	111.2	273.0	388.3
Executive Council – Performance of Duty	- 14.2	- 15.0	- 15.0
Transfers to and from the General Fund	0.0	0.0	0.0
Total Funds Available	\$ 274.9	\$ 443.6	\$ 569.3
FY 2019 Perf. of Duty Expense*	-4.9	0.0	0.0
Excess Surplus	\$ - 84.4	\$ - 247.6	\$ - 364.8
Balance	\$ 185.6	\$ 196.0	\$ 204.5
<i>Maximum 2.5%</i>	\$ 190.5	\$ 196.0	\$ 204.5
<u>Distribution of Excess Surplus</u>			
Transfer to General Fund	\$ 71.0	\$ 187.6	\$ 237.8
Transfer to Taxpayer Relief Fund	13.4	60.0	127.0
Total	\$ 84.4	\$ 247.6	\$ 364.8
<u>Combined Reserve Fund Balances</u>			
Cash Reserve Fund	\$ 571.6	\$ 587.9	\$ 613.6
Economic Emergency Fund	185.6	196.0	204.5
Total	\$ 757.2	\$ 783.9	\$ 818.1
<u>Statutory Maximum</u>			
Cash Reserve Fund	\$ 571.6	\$ 587.9	\$ 613.6
Economic Emergency Fund	190.5	196.0	204.5
Total	\$ 762.1	\$ 783.9	\$ 818.1
* An adjustment of \$4.9 million was made to the FY 2019 Performance of Duty appropriation to account for actual year-end expenditures exceeding the previous estimate of \$14.2 million. The adjustment occurred during the FY 2019 "hold-open" period, which was after the excess FY 2018 General Fund surplus dollars were transferred back to the General Fund for FY 2019.			

Taxpayer Relief Fund. Based on the current REC estimates and budget assumptions for FY 2020, it is estimated that the Taxpayer Relief Fund will have a balance of \$73.5 million in FY 2020 and \$200.5 million in FY 2021 (**Figure 5**). This includes a General Fund surplus transfer of \$60.0 million during FY 2020 and an estimated transfer of \$127.0 million in FY 2021. The following factors determine how much of the General Fund surplus can be transferred to the Taxpayer Relief Fund:

- The size of the General Fund surplus of the previous fiscal year.
- The balances in the Cash Reserve Fund and the Economic Emergency Fund must be at the statutory maximum, which is a combined 10.0% of the adjusted revenue estimate. After both reserve funds are at the statutory maximum, a portion of the remaining surplus dollars are available for deposit in the Taxpayer Relief Fund, but the amount is limited to the two factors listed below.
 - If the actual net General Fund revenues for the previous fiscal year are greater than the adjusted revenue estimate established for the previous fiscal year, the amount of the difference up to \$60.0 million is transferred to the Taxpayer Relief Fund.
 - For FY 2021, the \$60.0 million cap is repealed. As a result, the amount of the surplus to be transferred in FY 2021 will be limited to the difference between the actual FY 2020 net revenues and the FY 2020 adjusted revenue estimate. The adjusted revenue estimate for FY 2020 is \$7.839 billion and was established in the 2019 Legislative Session. When the adjusted revenue estimate is subtracted from the revised FY 2020 REC estimate of \$7.966 billion, the difference is \$127.0 million, which is the estimated transfer to the Taxpayer Relief Fund in FY 2021.

Figure 5

Taxpayer Relief Fund			
(Dollars in Millions)			
	Actual FY 2019	Estimated FY 2020	Projected FY 2021*
Funds Available			
Balance Brought Forward	\$ 8.4	\$ 13.5	\$ 73.5
General Fund Surplus Transfer	13.4	60.0	127.0
Interest	0.1	0.0	0.0
Total Funds Available	\$ 21.9	\$ 73.5	\$ 200.5
Expenditures			
Transfer to the General Fund	\$ - 8.4	\$ 0.0	\$ 0.0
Ending Balance	\$ 13.5	\$ 73.5	\$ 200.5
 Taxpayer Relief Fund Calculation			
(Dollars in Millions)			
	FY 2018	FY 2019	FY 2020
Actual /Estimated	\$ 7,383.9	\$ 7,858.9	\$ 7,966.1
Adjusted Revenue Estimate	- 7,370.5	- 7,621.9	- 7,839.1
Difference	\$ 13.4	\$ 237.0	\$ 127.0
* The \$60.0 million statutory limit is repealed beginning in FY 2021.			

LSA Staff Contact: Dave Reynolds (515.281.6934) dave.reynolds@legis.iowa.gov